

Feds Table Legislation to Implement Budget Proposals

In late April, the federal government tabled legislation that would implement payroll-related proposals put forward in this year's budget and other previously announced measures.

Bill C-30, the *Budget Implementation Act, 2021, No. 1*, received first reading in the House of Commons on April 30, 2021. It contains amendments to the *Income Tax Act*, *Employment Insurance Act*, and *Canada Labour Code*, among other laws, to implement the following proposed measures:

Income Tax Act:

- stock options: introducing a cap on certain employee stock option deductions (see story below for more details);
- automobile taxable benefits: allowing employees with an employer-provided automobile to use their 2019 automobile usage to determine if they are eligible for a reduced standby charge for the 2020 and 2021 tax years;
- basic personal amount: raising the basic personal amount to \$15,000 between 2020 and 2023 for individuals whose annual net incomes do not exceed a specified annual threshold;
- CEWS: adjusting the eligibility criteria and the level at which employers are subsidized for the Canada Emergency Wage Subsidy (CEWS); extending CEWS to September 25, 2021 and providing authority to allow the government to further extend it to November 30, 2021; and ensuring that the level of CEWS benefits for furloughed employees continues to align with Employment Insurance (EI) benefits until August 28, 2021; and
- Canada Recovery Hiring Program: creating a new Canada Recovery Hiring Program to help businesses with the costs of hiring new workers.

Employment Insurance Act:

- sickness benefits: increasing EI sickness benefits from 15 weeks to 26 weeks, and
- applying for benefits: making it easier for applicants to receive EI benefits for a period of one year by: implementing a national threshold of 420 hours of insurable employment to qualify for unemployment benefits; having Service Canada only consider a claimant's most recent separation from employment when determining eligibility for unemployment benefits; and ensuring that earnings paid or payable to a person because of a layoff or separation from employment would not be considered earnings for determining if there has been an interruption of earnings.

Canada Labour Code:

- minimum wage: establishing a \$15-per-hour federal minimum wage rate; the rate would be indexed to inflation; if a provincial/territorial minimum wage rate was higher than the federal rate, the provincial/territorial rate would prevail;
- leave related to death or disappearance of a child: increasing the number of weeks of leave that employees could take if their child disappeared due to a probable crime from 52 weeks to 104 weeks; extending eligibility for the leave to include children between 18

and 24 years old; and allowing employees to take the leave even if their child was a party to the probable crime, as long as the child is under 14 years old;

- leave related to COVID-19: increasing the maximum number of weeks of leave for COVID-19 related caregiving responsibilities from 38 to 42; and
- medical leave: increasing the number of weeks of medical leave from 17 to 27; repealing a 16-week leave for quarantine; and adding quarantine as a reason for which employees may take medical leave.

We have added the bill to the Status of Legislation and will continue to track its progress there.

Reminder: Cap on Employee Stock Option Deduction Proposed for July 1

Just a reminder...Beginning July 1, 2021, the federal government is proposing to put an annual cap of \$200,000 on the amount of some employee stock options that are eligible for an income tax deduction.

Deputy Prime Minister and Finance Minister Chrystia Freeland included the proposal in the government's Fall Economic Statement, released on November 30, 2020.

Under the proposal, a \$200,000 limit would be put on the amount of employee stock options that may vest in an employee in a calendar year and continue to qualify for the stock option deduction allowed under the federal *Income Tax Act*. The deduction allows employees who meet specified conditions to deduct from their income one-half of the amount of the taxable benefit that results from stock options that they acquire from their employer.

The government first proposed the cap in its 2019 federal budget, saying the current deduction rules disproportionately benefit a small number of high-income earners working for large, well-established companies.

To ensure that the deduction is targeted to start-ups and emerging corporations, the government proposes to apply the cap to established employers that are corporations or mutual fund trusts. The cap would generally not apply to any Canadian-controlled private corporations (CCPCs) or to non-CCPCs whose gross revenue was no more than \$500 million.

The proposed changes would apply to employee stock options granted after June 2021. The current rules would continue to apply to stock options granted before July 1, 2021. In situations where the amount of stock options that may vest in a year is more than \$200,000, the options granted first would be the first ones to qualify for the deduction.

If an employee exercised a stock option that exceeded the \$200,000 limit, the taxable benefit would be the difference between the fair market value of the share when the employee exercised the option and the amount the employee paid to acquire the share. The full amount of the benefit (with no deduction) would be included in the employee's income in the year the option is exercised.

We will continue to monitor this story and will report on further developments in upcoming issues.

Reminder: Upcoming Statutory Holidays

Just a reminder... The following statutory holidays are upcoming:

- Mon. May 24: All jurisdictions, except New Brunswick, Newfoundland and Labrador, Nova Scotia and P.E.I.—Victoria Day (National Patriots' Day in Quebec)
- Mon. Jun. 21: Northwest Territories and Yukon—National Aboriginal Day
- Thurs. Jun. 24: Quebec—National Holiday
- Thurs. Jul. 1: All jurisdictions—Canada Day (Memorial Day in Newfoundland and Labrador)
- Fri. Jul. 9: Nunavut—Nunavut Day
- Mon. Aug. 2: British Columbia, New Brunswick, Northwest Territories, Nunavut, and Saskatchewan (The day is also a holiday, although not a statutory holiday, in Alberta. Municipalities in some Canadian jurisdictions may also designate the day as a holiday.)
- Mon. Aug. 16: Yukon—Discovery Day
- Mon. Sept. 6: All jurisdictions—Labour Day

For information on entitlement to the holidays and how to compensate employees for them, please refer to the applicable jurisdiction in chapter 19, Statutory Holidays.

Reminder: B.C. Minimum Wages Rising June 1

Just a reminder...Effective June 1, 2021, the British Columbia government will raise the general minimum wage rate from \$14.60 an hour to \$15.20 and eliminate a separate minimum wage rate for liquor servers.

The increase in the general minimum wage is the final step in the province's multi-year plan to raise the rate to at least \$15 an hour.

Once the liquor server rate is eliminated, employers will have to pay these employees at least the general minimum wage rate. The liquor server minimum wage rate is currently \$13.95 an hour.

Other minimum wage rates will also go up June 1, 2021:

- Live-in camp leaders: \$121.65/day or partial day worked (currently \$116.86)
- Resident caretakers working in apartment buildings with nine to 60 suites: \$912.28/month plus \$35.56/suite (currently \$876.35/month plus \$35.12/suite)

- Resident caretakers working in apartment buildings with more than 60 suites: \$3,107.42 (currently \$2,985.04)

HIBC Eliminating Employee Record Cards

Health Insurance BC (HIBC) has announced that it will no longer produce and distribute employee record cards for British Columbia's Medical Services Plan (MSP).

In April 2020, HIBC temporarily discontinued the cards to help protect employees' personal information during the Coronavirus disease 2019 (COVID-19) pandemic.

Even though it will no longer produce or distribute the cards, HIBC said it would continue to provide confirmation of any changes to employers' MSP Group Plan membership through its monthly Group Account Change Summary letter. Employers who require a listing of all of their MSP Group Plan members can receive one by sending a written request to HIBC.

HIBC advised that employers can continue to submit new group changes and cancellations using existing paper forms, available on its website at <https://www2.gov.bc.ca/gov/content/health/health-forms/msp/forms-for-group-plan-administrators>. It also said employers could use its MSP Direct online service to update and monitor their plan membership.

N.B. Government Proposes Reduced Tax Rate for First Income Tax Bracket

The provincial government has tabled legislation that would reduce the tax rate on the first income tax bracket from 9.68% to 9.4%, beginning in the 2021 tax year.

Bill 48, *An Act to Amend the New Brunswick Income Tax Act*, received first reading in the New Brunswick Legislative Assembly on May 11, 2021. The proposed tax change would be retroactive to January 1, 2021, although for payroll deduction purposes, it would not be implemented until July 1, 2021.

The first tax bracket applies to annual taxable income up to \$43,835.00.

Since the tax change would be implemented mid-year, the Canada Revenue Agency has announced that the tax rate would be 9.12% from July 1, 2021 to December 31, 2021. The agency is updating its payroll deductions tables and formulas to incorporate the proposed change.

Ontario Minimum Wage Rising Oct. 1

On October 1, 2021, the general minimum wage rate in Ontario will rise from \$14.25 per hour to \$14.35, the province's Ministry of Labour recently announced.

Other minimum wage rates will also go up at that time:

- Homeworkers (110% of general rate): \$15.80/hour (currently \$15.70)
- Students under 18 working fewer than 28 hours/week: \$13.50/hour (currently \$13.40) (or more than 28 hours during school vacation)

- Tip-based employees who serve liquor on licensed premises: \$12.55/hour (currently \$12.45)
- Hunting/fishing/wilderness guides
 - working for fewer than five consecutive hours a day: \$71.75 (currently \$71.30)
 - working five or more hours, whether or not consecutive: \$143.55 (currently \$142.60)

Proposed Ontario Amendment would affect Direct Deposit Rules

Proposed amendments to Ontario's *Employment Standards Act, 2000*, would remove a requirement that limits employers' direct deposit payments for employees to financial institutions that are near the employees' workplace.

The change is included in Bill 276, the *Supporting Recovery and Competitiveness Act, 2021*, which the government tabled in the provincial legislature on April 15, 2021.

Under current rules, employers are only allowed to pay employees by direct deposit at a financial institution if the account into which they deposit the money is in the employee's name, only the employee and those they have authorized have access to the account, and the financial institution is located within a reasonable distance from where the employee normally works, unless the employee agrees otherwise.

The proposed amendment would repeal the third condition. The first two conditions would continue to apply. The amendment would take effect on the date that the bill received royal assent.

The bill also proposes to replace the Act's rules for employer self-audits with new requirements.

Ontario Reduces 2021 WSIB Maximum Insurable Earnings

The Ontario government has lowered the 2021 workers' compensation maximum insurable earnings amount from \$102,800 to \$97,308.

The change was included in Bill 238, *An Act to amend the Workplace Safety and Insurance Act, 1997*, which received royal assent on April 14, 2021. New section 88.1 of the Act sets the maximum at \$97,308, or another amount if prescribed in regulations under the Act, for the period January 1, 2021 to December 31, 2021, unless a later date is set out in the regulations.

The Workplace Safety and Insurance Board (WSIB) says employers should use the new maximum when reporting all 2021 insurable earnings. Since the amendment is retroactive to January 1, 2021, employers who have already reported insurable earnings using the \$102,800 ceiling should use the board's online services to make adjustments to their account.

The WSIB says it will credit employers' accounts if they have made an overpayment because of the reduction in the maximum insurable earnings. The credit can be applied to an employer's future WSIB premiums or the employer can request that the board issue a refund cheque.

The government said it lowered the maximum amount to help employers struggling with the financial impacts of the Coronavirus disease 2019 (COVID-19) pandemic.

Reminder: Quebec Minimum Wage Increased May 1

Just a reminder... The general minimum wage rate in Quebec rose from \$13.10 an hour to \$13.50 on May 1, 2021.

Other minimum wage rates in Quebec also went up on May 1, 2021:

- Employees who receive tips: \$10.80/hour (previously \$10.45)
- Raspberry pickers: \$4.01/kilogram (previously \$3.89)
- Strawberry pickers: \$1.07/kilogram (previously \$1.04)

In addition, effective May 1, 2021, the government increased the maximum amounts that employers may require employees to pay if they provide the employees with board and lodging or if they must ensure that the employees find accommodation:

- \$2.29 per meal, up to \$29.89 per week (previously \$2.27 and \$29.67, respectively);
- \$28.74 per week for a room (previously \$28.53);
- \$34.50 a week for a room and meals if the room can accommodate five or more employees (previously \$34.24); and
- \$51.71 a week for a room and meals if the room sleeps no more than four employees (previously \$51.33).

Reminder: Quebec Reducing Fondation Tax Credit Rate on June 1

Just a reminder... Effective June 1, 2021, the Quebec government will reduce the rate of a tax credit for employees who acquire shares in Fondation from 20% to 15%.

The change will require employers to adjust the way they calculate provincial income tax deductions on remuneration they pay to employees who have authorized them to deduct amounts for the purchase of class A or B Fondation shares.

Revenu Québec advises that employers who use its *Formulas to Calculate Source Deductions and Contributions* (TP-1015.F-V) will have to subtract an amount equal to 15% (previously it was 20%) of the amount withheld for the purchase of the shares from the income tax payable for the year. Employers using Revenu Québec's *Source Deduction Table for Québec Income Tax* (TP-1015.TI-V) will have to subtract an amount equal to 75% (previously it was 100%) of the amount withheld for buying the shares from the employee's gross remuneration.

The government temporarily raised the rate from 15% to 20% on June 1, 2015. The higher rate was only supposed to apply for a year, but the government twice extended it, once to May 31, 2018 and then to May 31, 2021.

Provincial/Territorial Budget Round-up

Alberta: No payroll-related changes proposed.

British Columbia: No new payroll-related tax changes proposed. The budget did reiterate that the government has created a refundable tax credit, called the Increased Employment Credit, to encourage employers to create new jobs or raise the pay of existing low- and middle-income employees.

Manitoba: The budget proposes to raise the thresholds that apply to the province's Health and Post-Secondary Education Tax Levy next year. The tax applies to employers who have a permanent establishment in the province.

Beginning January 1, 2022, the threshold for registering for the levy would rise from \$1.5 million of annual remuneration to \$1.75 million.

The government also proposes to raise the thresholds that determine which tax rate employers pay. Beginning January 1, 2022, employers with an annual payroll between \$1.75 million and \$3.5 million would pay the tax at a rate of 4.3% of accumulated payroll exceeding \$1.75 million. Currently, this rate applies to employers with an annual payroll between \$1.5 million and \$3 million.

Employers with an annual payroll of more than \$3.5 million would pay the tax at a rate of 2.15% of monthly payroll. Currently, the 2.15% rate applies to employers whose annual payroll is more than \$3 million.

The budget reiterated that the government would continue to index the province's personal income tax brackets and the basic personal amount that employees claim on a TD1MB, *Manitoba Personal Tax Credits Return*. For 2022, the basic personal amount is forecasted to be \$10,075.

New Brunswick: No payroll-related changes proposed.

Northwest Territories: No payroll-related changes proposed.

Nova Scotia: No payroll-related changes proposed.

Nunavut: No payroll-related changes proposed.

Ontario: No payroll-related changes proposed.

P.E.I.: The budget proposes to increase the basic personal amount that employees claim on a P.E.I. *Personal Tax Credits Return* (TD1PE) from \$10,500 to \$11,250, effective January 1, 2022.

Quebec: The budget proposes to extend a tax credit on employer contributions to the HSF for employees on paid leave to June 5, 2021. The tax credit applies to employers who are eligible for the Canada Emergency Wage Subsidy (CEWS). The CEWS provides qualifying employers with a wage subsidy to encourage them to keep employees on payroll during the Coronavirus disease 2019 (COVID-19) pandemic. The provincial government implemented the tax credit last year and has regularly extended it in line with federal extensions to the CEWS. With the proposed extension, Quebec would add the following three new qualifying periods for the tax credit: March 14, 2021 - April 10, 2021, April 11, 2021 - May 8, 2021, and May 9, 2021 - June 5, 2021. The budget also proposed changes affecting a compensation tax on financial institutions and a tax holiday on large investment projects.

Saskatchewan: No payroll-related changes proposed.

Yukon: No payroll-related changes proposed.

Payroll Q & A

Question: I have noticed that the Canada Revenue Agency often uses the term “remuneration” when discussing employee pay. What is the difference between remuneration and salary/wages?

Answer: The term “salary” usually refers to a fixed amount paid to an employee per pay period, regardless of the actual number of hours worked, while “wages” generally refers to an amount paid to an employee based on the number of hours worked. The term “remuneration” has a broader meaning than salary/wages. Simply put, remuneration is payment for work or services. The federal Income Tax Act Regulations define remuneration as including a number of different types of payments, such as salary, wages, commissions, retiring allowances, tips, death benefits, supplementary unemployment plan benefits, pension benefits, and deferred profit-sharing plan payments.